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Consideration of reports on the work of the Standing Committee Programme budgets, management, financial control and administrative oversight

Financial statements for the year 2014 as contained in the Report of the Board of Auditors to the General Assembly on the audited financial statements of the Voluntary Funds administered by the United Nations High Commissioner for Refugees for the period ended December 2014

Report by the High Commissioner

Addendum

Key issues and measures taken in response to the Report of the Board of Auditors for 2014

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I. Introduction

1. This report provides an overview of the key findings of the United Nations Board of Auditors (the Board) from its audit of the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2014,[1] as well as measures taken or proposed by the Office in response to the main and other recommendations.

2. UNHCR prepared the financial statements for the period ended 31 December 2014 in accordance with the International Public Sector Accounting Standards (IPSAS). Following its examination, the Board concluded that the financial statements fairly presented UNHCR's financial position and its financial performance and cash flows for the year ended 31 December 2014 in all material respects and in accordance with IPSAS. During the course of the audit, the Board visited UNHCR headquarters in Geneva and Budapest, examined field operations in Ethiopia and Uganda, and conducted teleconferences with the operations in Jordan and Lebanon. The audit was conducted primarily to enable the Board to form an opinion on UNHCR's financial statements, and included a review of financial systems and internal controls, as well as a test examination of the accounting records.

3. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which requires the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board has commented on UNHCR's financial position and other financial matters, and reported on two themes, the financial management of the education programme and UNHCR's strategic approach to human resources.

4. The Board reported key findings and issued 21 new recommendations in the following areas: (a) financial matters, including the management of physical assets; internal control and fraud risk assessment; the Managing System, People and Resources (MSRP) system upgrade; and understanding the cost of service delivery; (b) financial management within the education programme; and (c) human resources management. This document presents the Board's key findings and lists all recommendations issued, with an outline of how UNHCR plans to address the identified risks.

5. Concerning prior years, the Board noted that UNHCR fully implemented 27 of its recommendations from 2013 and previous years and is in the process of addressing 13 outstanding recommendations. The Board noted positive progress in implementing outstanding recommendations, in particular with respect to counter-fraud measures and the development of a strategic risk register, as recommended in the Board's 2012 report. The Board acknowledged that two of the outstanding recommendations issued in 2012 relate to the Global Fleet Management (GFM) Project, which is a multi-year project, and three recommendations issued in 2013 relate to the Syria operation, where the Board identified scope for wider applicability across UNHCR. A matrix containing additional information on the status of implementation and follow-up actions for outstanding recommendations made by the Board in previous years is available on UNHCR's website at www.unhcr.org/excom, under Standing Committee documentation.

[1] "Financial report and audited financial statements for the year ended 31 December 2014 as contained in the Report of the Board of Auditors to the General Assembly on the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2014" (A/70/5/Add.6), as referenced in A/AC.96/1146.

II. Key findings relating to the 2014 financial statements

A. Financial matters

1. Financial overview

6. The Board noted that UNHCR had a strong overall financial position at the end of 2014, despite a net deficit of US$ 304.8 million in 2014, which was mostly due to adverse movements in currencies and employee liabilities, together with a reduction in pledges relating to future year donations. It was further noted that the Office's management will be dependent upon quality financial information to enable it to be sufficiently agile in redeploying and prioritizing resources in the context of an increasingly challenging environment and increasingly earmarked donations.

7. The Board noted that uneven donor funding throughout the year impacts on procurement planning and creates year-end pressure to spend budget. The Board recommended that UNHCR continue its efforts to obtain greater certainty around the timing and earmarking of donations to improve forecasting. In response, UNHCR has noted that forecasting of donor contributions has been increasingly accurate over the last few years. UNHCR will further advocate with donors to increase predictability of funding, including by pursuing multi-year contributions and improving communications and information sharing with donors.

2. Management of physical assets

8. Since the adoption of IPSAS in 2012, financial reporting has provided management with a more comprehensive picture of resource utilization. The discipline of IPSAS reporting continues to drive improvement in stewardship and accountability for the use of assets, especially in inventory and property, plant and equipment (PPE). The Board continued its analysis, started in previous years, of the management of the vehicle fleet. It noted that the age of the vehicle fleet has been reduced through the sale of old vehicles as the GFM Strategy began implementation in 2014. The Board nevertheless emphasized the need for management to collect and report metrics to demonstrate whether the GFM Strategy is delivering the anticipated benefits. In this respect, UNHCR has contracted a study to identify mechanisms to monitor benefits and savings resulting from the application of the GFM Strategy.

3. Internal control and fraud risk assessment

9. The Board examined the operation of the internal control framework through the use of data analytics to interrogate the entire population across a range of specific controls in the areas of payroll, procurement and expenses. Given the nature and volume of the items identified, the Board considered that the risk of material fraud in these areas was low, but represented a weakness in the system of control. It therefore recommended that UNHCR makes use of data analytics to review compliance with key controls and that it integrates this requirement into a systematic process to identify control exceptions and unusual transactions. In response, UNHCR is planning to develop a systematic reporting procedure to assist in bringing control weaknesses to management's attention and to ensure that data analysis and reporting is configured within the financial systems upgrade.

10. Implementing partners are essential for the delivery of UNHCR's programme. The Board examined reports from partners and reviewed verification work performed in the offices visited. It noted that the quality and consistency of the reports examined has

improved, but scope remained to focus these verification visits on a risk basis. The Board indicated that it will continue to monitor the adequacy of controls related to partnerships in its future work.

11. In previous years, the Board expressed concerns regarding the absence of any systematic process to identify fraud risks and was of the opinion that the lack of such an assessment had contributed to the low level of reported fraud. Management has recognized the importance of strengthening its approach to fraud detection and prevention by initiating the Fraud Prevention Project. The Project focuses on the identification of key fraud risks and corresponding mitigation measures, by drawing on the knowledge of a working group consisting of staff from across various business areas and locations.

12. UNHCR has created a preliminary list of potential internal and external fraud risks, which are being assessed against the current control framework to identify any gaps in the mitigations and to assess the residual risk of fraud in UNHCR operations. This review will provide a sound basis for improving internal control, establishing staff training needs and encouraging a culture where staff can report concerns.

4. MSRP system upgrade

13. The upgrade of UNHCR's enterprise resource planning system, MSRP, will be central to providing management with more reliable and timely information to be used in decision-making, enabling resources to be deployed in the most effective and efficient manner to service beneficiaries. Management has identified 18 key priorities, focused on improved financial reporting and forecasting; better integration of revenue, budget and accounting systems; enhanced internal controls processes; and improved procurement and travel functionalities.

14. The upgrade project for the MSRP system started in late 2013, and the assessment of current processes was completed in August 2014. The conceptual design for the upgrade was agreed in December 2014 and selected system integrators are scheduled to commence work in August 2015. The upgrade is being undertaken as a fixed cost contract, with implementation expected to be completed in the first quarter of 2017.

15. The Board noted that a project steering committee has been put in place and that a risk log has been developed. However, to ensure effective governance of the project, the Board emphasized the need to conduct a regular review of project risks in order to assess the quality and timeliness of mitigation measures, and to prepare a clear statement of benefits against which the success of the project can be measured.

5. Understanding the cost of service delivery

16. The current costing methodology provides a practical approach to identifying and allocating costs, but the Board's analysis highlighted the need for further work to refine existing classifications. In this respect, the Board has identified some US$ 130 million of staff costs that require more detailed consideration and re-allocation. UNHCR has agreed to review cost classifications under the functional area of "executive and management" at the field level.

17. The Board noted that all expenditures incurred by partners are currently classified as programme costs, although some of these expenses represent the agreed level of 7 per cent covering administrative costs and overhead funding for international partners. The Board recommended that management disclose the overhead costs more transparently and scrutinize the other administrative costs that UNHCR funds under these agreements. In response, UNHCR has accepted to disclose in the future the total of its contributions to project headquarters support costs of international partners in an additional note to the financial statements.

18. The Board noted that improvements can be made to the Annual Programme Review (APR) process to enable stronger management review of cost challenges and better demonstrate the efficiency demands that programmes and country offices have had to respond to, and to record and summarize the key efficiency outcomes. UNHCR has a process in place to analyse, during the APR cycle, financial implementation by operations in order to evaluate their budget requests and proposed programme activities. For the APR 2016, UNHCR is committed to further strengthening its analysis capacity by designing and implementing an analysis framework to better support the financial review process.

Key issues/risks identified: profiling of donors, quality of financial information, cost effectiveness and efficient delivery of services to beneficiaries, cost classification of implementing partner expenses, efficiency of budget review process, managing changes derived from the MSRP upgrade project.

B. Financial management within the education programme

19. As part of its review of financial management, the Board examined how budgets are allocated, how costs are monitored and how sustainability decisions are made to inform funding priorities in the education programme. The Board found that UNHCR could do more, as part of the annual budgeting cycle, to examine the efficiency and cost-effectiveness of proposed operations and to refine the metrics that enable such analysis. The Board noted that the majority of educational expenditures were channelled through implementing partners, but did not find sufficient evidence that project agreements were fully driven by efficiency and effectiveness criteria. While the organization remained focused on monitoring actual expenses against the projected plan, the Board noted weak integration between the financial and performance systems, making it difficult to measure the cost effectiveness of UNHCR's interventions in a consistent and documented manner. As a result, the Board recommended strengthening the process of programme scrutiny to further challenge and document at headquarters level the cost effectiveness of proposed interventions, as well as developing essential performance metrics to enable comparison among country offices. UNHCR is committed to continued improvements in the area of cost effectiveness. Further, UNHCR is working on improving data management in education, including data on school retention and on integration within national systems.

Key issues/risks identified: selection of adequate performance indicators for programme assessment, availability of timely financial information to enable decision on budget allocations, analysis of the linkage between financial and performance data, as well as the use of resources versus outputs obtained.

C. Human resources management

20. Noting that staff numbers have increased rapidly by 20 per cent since 2011, the Board focused its review on strategic workforce planning, future workforce requirements, and staff capabilities and skills. The Board acknowledged the difficulties encountered by UNHCR in longer-term resource planning during emergency situations, but suggested that headquarters and country offices could do more in planning future staffing requirements, particularly for core functions, in order to better align the workforce with demand. The Board also considered that the process of staff redeployment was resource intensive and lengthy, and identified the need to streamline it and to provide better data to match individuals' profiles with jobs advertised. The Board recommended that UNHCR include human resources matters on the agenda at senior management meetings to give visibility to gender composition, recruitment times and skills gaps. UNHCR was also advised to identify the staff mix and capabilities that are required for the future needs of the

organization and ensure that workforce composition, capabilities and staffing needs are fully accounted for in medium- and long-term planning. UNHCR committed to including human resources matters on the agenda at senior management meetings on a more regular basis, and to submitting the key comparable workforce data of interest to the organization to senior management for periodic review.

Key issues/risks identified: workforce planning, skills shortage and timeliness of the recruitment process, ensuring right staff in the right place at the right time.

III. Main recommendations and measures taken

21. This section contains the main recommendations made by the Board, and measures taken by UNHCR in response. The recommendations of the Board are set out in italics, with reference to the relevant paragraph of the Report of the Board of Auditors.

A. Recommendation (paragraph 12)

22. *The Board recommends that UNHCR work with donors to improve the profiling of resources during the year to facilitate better forecasting, in order to minimize large year-end fluctuations and smooth procurement flows.*

Measures taken by the Administration

23. UNHCR will continue to work with donors to ensure increased predictability in funding. For this purpose, the following measures are undertaken: (i) organizing an annual pledging conference where donors announce their contributions for the coming year; (ii) organizing regular bilateral and multilateral meetings with donors, at both senior and working levels; (iii) pursuing the conclusion of multi-year framework agreements with major donors, which increase the predictability of funding and provide more information on core contributions and possible supplementary funds; (iv) updating donors' profiles with regular analysis of donors' official development assistance policies, budgets, funding mechanisms and priorities; and (v) improving web communication through the Global Focus website to increase the speed with which donors receive information from UNHCR.

B. Recommendation (paragraph 23)

24. *The Board recommends that UNHCR adopt data analytics to review compliance with key controls and build them into a systematic process to identify control exceptions or unusual transactions. Furthermore, management should seek to ensure the MSRP upgrade mandates separation of duties and facilitates exception reporting.*

Measures taken by the Administration

25. In the context of the MSRP upgrade project, UNHCR will implement two Governance Risk and Compliance (GRC) modules from Oracle (Application Access Control Governor and Transaction Control Governor). These modules include features enabling performance of analytics to assist in reviewing compliance with key controls. GRC also enables a systematic process to identify control exceptions or unusual transactions, and facilitates the control of separation of duties and exception reporting. UNHCR plans to implement Oracle GRC in the fourth quarter of 2016 or the first quarter of 2017.

C. Recommendation (paragraph 36)

26. *The Board recommends that the MSRP upgrade steering committee*

(a) Ensure that the key priorities are used to draw up a clear statement of benefits against which the success of the project can be measured.

(b) Enhance the MSRP project risk process by regular review of the project risk register to consider the quality of mitigation measures and the time frame for addressing identified risks, and to ensure that the register is regularly refreshed.

Measures taken by the Administration

27. UNHCR will develop a statement of benefits plan for the 18 key priorities already identified, against which the success of the MSRP Upgrade Project will be measured. The plan will be submitted for endorsement at the next meeting of the project's steering committee. The risk matrix and mitigation activities were presented in the "Final report on the MSRP Upgrade Project Conceptual design phase" submitted to the Information and Communication Technology Governance Board. The updated risks log, along with the updated mitigation strategies, will be regularly shared with the project's steering committee.

D. Recommendation (paragraph 45)

28. *The Board recommends that UNHCR further review its costs classifications and definitions, especially across functional types, such as executive and management grades at country and field office level, and the programme support functions based at headquarters and in capital cities.*

Measures taken by the Administration

29. In March 2015, UNHCR reviewed the budgetary classification of positions, taking into consideration related functions, and it reclassified some positions. In response to this recommendation, UNHCR will further review cost classifications under the functional area of "executive and management" at the field level.

E. Recommendation (paragraph 52)

30. *The Board recommends that*

(a) Funded overhead costs of international implementing partners included in partner agreements be reclassified as administrative costs in the disclosures in the financial statements;

(b) Management review its scrutiny of administrative costs within the budgets of implementing partners to better evidence as to how UNHCR achieves value for money from those agreements.

Measures taken by the Administration

31. In response to part (a) of this recommendation, UNHCR will disclose the total amount of UNHCR's contribution to project headquarters support costs of international partners as an additional note to the financial statements. UNHCR already provides information related to implementing partnership expenses in the notes to the financial statements, at the level of pillar and rights group and by type of implementing partner.

Other information on budget allocations at account, output, project and partner level, both in the field and at headquarters, is available and used for decision-making and verification purposes.

32. In response to part (b) of the recommendation, UNHCR will continue to strengthen the process of reviewing partner expenses. UNHCR already has procedures in place to review partner budgets in detail and substantiate the amounts budgeted against local costs and the particularities of the project under review. This review is conducted primarily by operations, supported by headquarters. Partners develop their budgets based on line item by line item costs, separately for each project, hence implementing partner costs are visible and subject to scrutiny. Through an internal policy issued in 2014, the rate for UNHCR's contribution to project headquarters support costs is fixed at 7 per cent, which is added to the total budget for the project and is intended to support international partners that operate outside of their country of origin in terms of their costs for providing administrative and oversight support to field-level projects.

F. Recommendation (paragraph 55)

33. *The Board recommends that management further develop the annual programme review process to build in a consistent framework to demonstrate the efficiency challenges to programme budgets and to record and summarize the key efficiency outcomes.*

Measures taken by the Administration

34. UNHCR has performance indicators in place to measure programme performance through several oversight mechanisms on budgetary and expenditure trends, such as the APR and the Mid-Year Review. Operational costs vary greatly between operations, due to many variables such as the operational life cycle and the location and nature of mandated activities. UNHCR currently assesses these variations before and during the APR process. UNHCR will further strengthen the financial review process by designing and implementing an analysis framework in the context of the APR to be conducted in 2016.

G. Recommendation (paragraph 68)

35. *The Board recommends that UNHCR review the existing scrutiny process, as there is an opportunity to further challenge and document the cost-effectiveness of proposed* [education] *interventions at the headquarters level. In doing so, UNHCR should review opportunities to include performance metrics which enable cost-effectiveness to be measured.*

Measures taken by the Administration

36. UNHCR will continue to improve in the area of cost-effectiveness. A working group will be established with the participation of relevant divisions (including the Division of Financial and Administrative Management, the Division of Programme Support and Management and the Division of International Protection) to review existing processes and guidance for the analysis of cost-effectiveness, both within field operations at the time of developing projects and related budgetary requirements, as well as at headquarters to support review processes. The working group will develop a guidance framework to assist operations in the review process, ensuring consistent analysis of cost-effectiveness across the organization.

H. Recommendation (paragraph 89)

37. *The Board recommends that, to be able to assess overall impact, UNHCR work towards collecting accurate* [education] *data on* [pupil] *retention and integration within national systems and define key performance metrics for all country offices.*

Measures taken by the Administration

38. Using existing systems and tools, and based on lessons learned from the field to date, UNHCR is working to improve data management in education, including with respect to school retention and integration in national systems. Several field missions have been carried out to assess gaps in how data is collected and analysed, and sessions on data management have been included in workshops organized by the Education Unit. Guidance on measuring the extent to which education is integrated into national systems has been developed and will be systematically disseminated to all country offices, including a checklist on key benchmarks for measuring progress on integration.

I. Recommendation (paragraph 93)

39. *The Board recommends UNHCR include human resources matters in the agenda at senior management meetings, thereby giving them visibility in terms of gender composition, recruitment times of ongoing and completed cases and skills gaps. The UNHCR senior management team should review comparable workforce data, as presented by the Board in Table II.11 and annex II, to determine its optimal use of resources.*

Measures taken by the Administration

40. UNHCR has agreed to include human resources matters on the agenda at senior management meetings on a more regular basis. Key comparable workforce data of interest to the organization, prepared by the Workforce Analysis and Business Intelligence Unit in the Division of Human Resources Management (DHRM) and informed by consultations between DHRM and relevant units, will be submitted to senior management for periodic review.

J. Recommendation (paragraph 100)

41. *The Board recommends UNHCR identify the staff mix and capabilities that are required in the future, in order to plan for where the organization will be in the medium and long term, and what its staffing needs will be. The human resources strategy should go some way towards supporting that aim. In addition, the workforce analysis and business intelligence unit should build up its understanding of the optimal composition of the workforce and the capabilities needed, in order to create a medium- and long-term staffing plan.*

Measures taken by the Administration

42. UNHCR is committed to significantly reduce the risk of misalignment of its workforce through several complementary initiatives. UNHCR's "People Strategy", to be released in the fourth quarter of 2015, foresees the establishment of systems to analyse trends that may affect demand for the number, location and skills of staff. The Strategic and Transformative Human Resources Service, under the authority of the Deputy Director of DHRM, will institutionalize workforce planning consultations with the divisions, the

bureaux and the Executive Office on a regular basis. In addition, DHRM's Business Intelligence Unit will strengthen its analytical capacity to better anticipate future staffing needs.

IV. Other recommendations and measures taken

A. Recommendation (paragraph 18)

43. *The Board recommends that, as management implements the global fleet management strategy for the period 2014-2018, it ensure that it collects the most appropriate metrics and data to assess and demonstrate the realization of the planned benefits as early as possible.*

Measures taken by the Administration

44. UNHCR has engaged INSEAD to conduct an independent assessment of the implementation of the GFM Strategy as at the end of 2014. INSEAD has completed its study and submitted a draft report, which is expected to be issued shortly. The study determined measures to assess the benefits of the GFM Strategy, such as the fleet size, average fleet age, and procurement cost. The study described various achievements and demonstrates that fleet size, average fleet age and procurement costs were reduced as a result of the GFM Strategy. UNHCR intends to annually update the assessment of the benefits using the same metrics identified in this study.

B. Recommendation (paragraph 25)

45. *The Board recommends that UNHCR enhance its internal verification processes to pay greater attention to developing risk-based verification plans; specifically consider the risk of fraud, and extend checks to ensure accountability for the use of assets acquired with project funds in prior years.*

Measures taken by the Administration

46. UNHCR continues to strengthen implementing partnership management through the Enhanced Framework for Implementing with Partners. The adoption of policies on improved monitoring of reports and risk-based verification of projects implemented by partners is on-going, and all operations are required to fully and consistently apply these policies by the end of 2016.

47. The Implementing Partnership Management Service (IPMS) is a key participant in the working group established in the context of the Fraud Prevention Project, which will thoroughly assess the risk of fraud in projects implemented by partners, among other fraud risks. The results derived from this exercise will be incorporated in relevant guidance to be issued as part of the Enhanced Framework for Implementing with Partners.

48. To strengthen the accountability exercised over the management of assets acquired with project funds, UNHCR has enhanced controls by introducing specific provisions regarding handling of assets by a partner in the standard project partnership agreement. Partners are required to establish and maintain records that allow for the tracking of all goods and property, secure UNHCR approval prior to disposal, and provide periodic reporting on these assets.

C. Recommendation (paragraph 31)

49. *The Board recommends that UNHCR establish a clear time frame to finalize the fraud risk assessments and mitigation plans for the most significant risks identified in the fraud prevention project. Furthermore, risk assessments should be used to inform the design of processes within the MSRP upgrade and of structured training for key staff in high-risk areas. The analysis should also be used to inform planning assessments carried out by* [the Office of Internal Oversight Services] *OIOS and the Inspector-General.*

Measures taken by the Administration

50. Risks identified through risk assessments have already informed the MSRP Upgrade Project, and UNHCR will ensure that these continue to be taken into account in the refinement of the conceptual design and implementation phases. UNHCR will also routinely share findings emanating from risk assessments with OIOS and the Inspector General's Office for their further analysis. With respect to training, UNHCR is developing a fraud awareness e-learning module and is exploring other means to educate staff. In addition, a Fraud Prevention Manual is being prepared that will provide operational guidelines for the implementation of UNHCR's Strategic Framework for the Prevention of Fraud and Corruption.

D. Recommendation (paragraph 59)

51. *The Board recommends that UNHCR, within the scrutiny process, build in an assessment of country office variances to define metrics by which to assess country plans, including expenditure per refugee per programme, variance in budgetary requirements being unmet, and instances of underspend and overspend compared with outcomes achieved.*

Measures taken by the Administration

52. In response to this recommendation, UNHCR is preparing a standard procedure for the evaluation of budget submissions that will take into consideration the review of the existing metrics used for assessment. UNHCR currently has a process in place to review budget variances. When budget changes are requested, a cost per capita analysis is performed in order to analyse the impact of such changes. UNHCR also reviews instances of underspending and overspending of approved budgets in relation to the achieved outcomes.

E. Recommendation (paragraph 75)

53. *The Board recommends that UNHCR standardize performance indicators, for example, by the maturity of the country's circumstances in delivering education services. In doing so, UNHCR should work closely with country offices to rationalize the selection of indicators and use only those deemed essential rather than being "nice to know".*

Measures taken by the Administration

54. UNHCR will provide further guidance on the selection of indicators, not only to specify a minimum level of indicators, but also to assist field offices to determine which indicators are appropriate to their situation and to eventually establish a maximum number of indicators. The Division of International Protection has already undertaken work to make

recommendations to field operations on minimum indicators for education, child protection and sexual and gender-based violence (SGBV) as part of an integrated approach for these protection areas.

F. Recommendation (paragraph 78)

55. *The Board recommends that, as part of the review of the global reporting framework, UNHCR include cluster themes as part of its reporting hierarchy.*

Measures taken by the Administration

56. UNHCR will discuss this recommendation with the Board in order to better define its scope. Currently, cluster themes are included in various reporting structures. For example, the Results Framework has an objective specifically covering "Coordination and partnerships strengthened", with outputs relating to "Coordination mechanisms established" and "Joint assessment, planning and evaluation exercises held". UNHCR's work within clusters is also reported through the Global Strategic Priorities under the area "UNHCR makes effective use of and contributes to improving humanitarian coordination mechanisms". The annual reporting exercise includes a specific requirement for UNHCR's operations to report on "Partnerships – coordination and contributions", summarizing the main achievements and challenges in inter-agency coordination, including cluster leadership.

G. Recommendation (paragraph 82)

57. *The Board supports the plans of UNHCR to use its Focus system to better link costs and outcomes in each of its business sectors. UNHCR needs to take a tougher, clearer stance on the importance of information on costs and service performance, particularly on linkages between enrolment in education, delivery and retention, and the impact of achieving good-quality education qualifications. Without such information, fully informed judgments on the value for money achieved, or the cost-effective targeting of assistance, are not possible.*

Measures taken by the Administration

58. While UNHCR's operations carefully review linkages between financial investments and outcomes, UNHCR recognizes that there is room for further emphasis on the importance of cost-effectiveness: that is, choosing the most effective combination of outputs to achieve maximum impact and ensuring that the identified outputs are executed in the most cost-efficient manner. These issues will be included in the deliberations of the working group referred to in the response to the recommendation contained in paragraph 68 of the Board's report and will be reflected in the guidance framework.

H. Recommendation (paragraph 83)

59. *The Board recommends that UNHCR headquarters issue central guidance to country teams on cost-effectiveness criteria in education services as an aid to decision-making and resource allocation in education programmes.*

Measures taken by the Administration

60. As mentioned in the response to the recommendation contained in paragraph 68 of the Board's report, a working group will develop a guidance framework to assist operations to undertake consistent analysis of cost-effectiveness across sectors.

I. Recommendation (paragraph 85)

61. *The Board notes* [in the context of education programmes] *that there are many cases of steps being taken to establish sustainable solutions. It recommends that such innovations are assessed for their success and, where positive, learning shared. Such interventions could be tailored around the level of maturity of the country concerned (for example, the cohesiveness of UNHCR relationships with Governments and delivery partners such as* [the United Nations Children's Fund] *UNICEF).*

Measures taken by the Administration

62. UNHCR has started carrying out some assessments of innovations, including good practices, being implemented within the education programme. Further assessments will be carried out in 2015, tailored to specific contexts, and shared with the field. Through the "Seeds for Solutions" initiative, UNHCR is piloting and documenting innovative approaches to comprehensive solutions. UNHCR's 2016-2017 Global Strategic Priorities will measure innovative aspects of solutions, which will inform future solutions planning and recommendations.

J. Recommendation (paragraph 104)

63. *The Board recommends that UNHCR learn lessons from staffing reviews, focusing on optimizing the use of resources. In conducting those reviews, UNHCR should engage with other United Nations offices to understand the extent to which core services can be shared across those offices in the respective countries and regions, including opportunities to upskill national staff to fulfil new and wider roles aligned to strategic objectives.*

Measures taken by the Administration

64. UNHCR will continue to conduct staffing reviews to analyse and, if needed, revise the internal structure of UNHCR's presence in a specific country in order to ensure optimal use of resources. Depending on the size, scope and operational context of UNHCR's operations in a given country, UNHCR will explore if and the extent to which services can be shared with other United Nations agencies present in the respective countries/region.

65. UNHCR remains committed to maximizing the potential of locally recruited staff members through appropriate upskilling, particularly for staff in the National Professional Officer (NPO) category, so that they are better able to perform functions currently carried out by internationally recruited staff members. In order to overcome existing external constraints, UNHCR will advocate for enhancing the use of NPOs during a review by the International Civil Service Commission scheduled for 2016, including to allow a broader range of individuals (such as permanent residents and individuals with legal working rights in the country) to be considered for NPO positions.

K. Recommendation (paragraphs 113-114)

66. The Board notes that UNHCR has an objective to consider how best to streamline the [deployment] *process, once the system upgrade has been completed in 2016. There are a range of options that could support that, and the Board recommends that management consider:*

(a) Limiting the number of posts staff can apply for, which should help to reduce the delays in sifting applications;

(b) Establishing a roster system so that posts can be classified against generic job profiles, as far as possible aligning capabilities to posts, and thereby reducing the volume of applications and the need for suitable candidates to go through the entire recruitment process;

(c) Setting targets for the number of staff in between assignments or beyond their assignment lengths;

(d) Whether certain core or technical specialized functions are exempt from the mobility model, depending upon operational need. That should then free up time for the human resources team to start thinking in a more strategic way about the needs of the business.

Measures taken by the Administration

67. UNHCR remains focused on developing better mechanisms to sift through applications and will look into all options to render the deployment process more responsive and timely. This includes the MSRP system upgrade, which will reduce or eliminate parts of the screening process that at present require human intervention. The screening response will also become quicker as a result of talent acquisition through enhanced profile-based recruitment, the acquisition of an Applicant Tracking System to better manage the influx of applications, and the introduction of technology to facilitate testing and interviewing of candidates via online channels. UNHCR will explore the establishment of indicators related to the number of staff in between assignments or beyond their assignment lengths, to be used in measuring the overall performance of the talent management and mobility processes.

V. Conclusion

68. UNHCR reiterates its commitment to addressing the recommendations made by the Board and to continuing to improve procedures, systems and controls in order to mitigate identified risks. The Board's findings and recommendations that have been accepted by UNHCR will help the organization to prioritize its resources in those areas where it is most exposed to risks.